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Committee on Public Relations of the Eastern...

The public and the railroads

New York

1923

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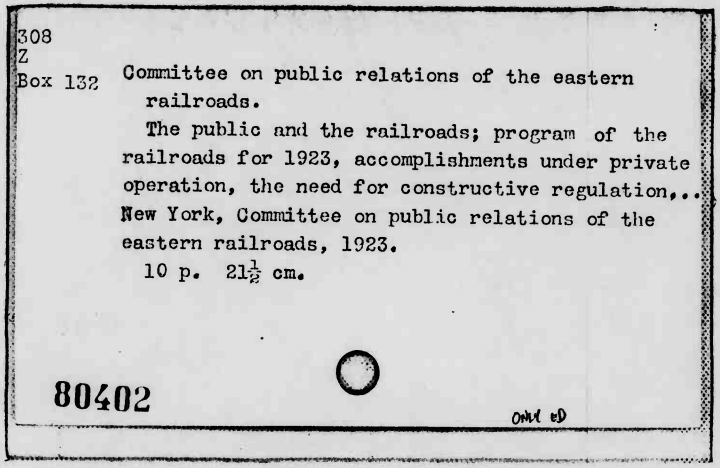

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Box 132 Committee on public relations of the eastern railroads.

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# THE PUBLIC AND THE RAILROADS

*Program of the Railroads for 1923*

308
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Box 132

ACCOMPLISHMENTS UNDER PRIVATE OPERATION

THE NEED FOR CONSTRUCTIVE REGULATION

COMMITTEE ON PUBLIC RELATIONS
OF THE EASTERN RAILROADS

143 Liberty Street
New York City

1923

# Getting Back to Normal

1920 - 1922

FEDERAL control of railroads for war purposes ended at midnight on February 28, 1920.

The railroads of the United States, therefore, have been operated by their respective companies for a little more than three years.

During this period the outstanding accomplishments were:

1. Railway operating expenses reduced approximately one billion dollars a year.

2. Out of this reduction in operating expenses over half a billion dollars a year turned over to the public in reduced rates.

3. Only about one-third of the reduction in expenses has come from decreased wages.

4. The balance of the reduction has come from increased efficiency and economy of operation.

5. The wage reductions made leave railroad wages substantially above the cost of living—or, in other words, railroad wages have not declined as much as the cost of living has declined.

The increase in efficiency and economy of operation is illustrated by the following fact:

In the second six months of 1922 traffic was almost as heavy as in the second half of 1920. Yet this traffic in 1922 was moved with an average of 1,697,310 employees as against an average of 2,109,188 employees in 1920.

While these substantial benefits have been conferred on the general public and on railroad employees, the compensation of railroad capital from railway operation has been increased from practically nothing in 1920 to about $760,000,000 in 1922, or approximately a 4 per cent return.

# The Program of the Railroads for 1923

ANTICIPATING this year the greatest volume of freight in their history, the member roads of the American Railway Association and the Association of Railway Executives, at separate meetings in New York on April 5, voluntarily and unanimously adopted a concerted policy and intensive working program to enable them to meet the growing transportation needs of the country.

This policy calls for heavier loading and faster movement of freight cars, reduction of cars and locomotives awaiting repairs and co-operative efforts on the part of carriers through the Car Service Division of the American Railway Association to insure, to the highest degree practicable, adequate provision for the country's transportation requirements.

### Carrying Unprecedented Traffic

Despite the obstacles placed in the way of an efficient transportation service by the cumulative effect of the coal miners' and railway shopmen's strikes, the railroads during the 39 weeks between July 1, 1922, and March 31, 1923—or to the end of the winter season—handled the greatest volume of traffic ever transported in the history of the country during any corresponding period.

Cars of revenue freight loaded during that period follow:

| | |
|---|---|
| 1922-23 ..... | 34,795,550 |
| 1921-22 ..... | 30,538,374 |
| 1920-21 ..... | 32,662,683 |
| 1919-20 ..... | 33,423,069 |
| 1918-19 ..... | 32,221,435 |

This achievement in transportation service occurred at the very time that public statements were being made to the effect that the management was inefficient and that the transportation systems had broken down!

The railroads from January 1, 1922, to March 15, 1923, either actually expended or authorized the expenditure of the unprecedented sum of approximately $1,540,000,000 for equipment and other facilities.

### Record Orders for Equipment

This enormous amount of additional capital is being raised largely through borrowed money on the abiding faith of the railroads in the fairness of American people and reliance on the continuance of the policy announced in the Transportation Act, 1920, as a measure of reasonable protection to investment in railroad property.

As a result of the authorized expenditure of more than a billion and a half dollars, the railroads from January 1, 1922, to April 15, 1923, purchased 247,542 new freight cars, of which 130,652 have already been placed in service, while the delivery of the remaining 116,890 is expected later this year. During the same period the carriers placed in service or purchased 4,406 new locomotives, of which 2,456 have already been delivered and 1,950 were on order on April 15, 1923.



### The Railroads' Program

The program agreed upon by the railroads is as follows:

**1. That by October 1, 1923, when the peak of traffic ordinarily begins, they will have their cars and locomotives back into the best condition that they have been in since before the war.**

They are aiming to reduce cars awaiting repairs to five per cent. This will add about 90,000 cars to the available supply.

They are aiming to reduce locomotives in need of heavy repairs to 15 per cent. This will add about 4,250 locomotives to the total available for use.

**2. That by September 1st, so far as possible, they will store the coal needed for railway operation and restrict the use of cars and locomotives in railroad maintenance work.**

As a result, after September 1st the absolute maximum of cars and locomotives will be available for the movement of the commerce of the country.

**3. That they will make an earnest effort to induce consumers, wholesalers and retailers to lay in as much as possible of their coal supply during the summer months.**

Special effort will be made to secure an early movement of the coal supply for the Northwest through the Great Lakes.

A similar effort will be made to have highway and building construction prosecuted as early in the year as possible in order that in the later months more equipment will be available to move seasonal commodities.

**4. That with the cooperation of shippers, they will make an earnest effort to bring the average loading of all cars up to thirty tons.**

In making this effort the railroads assume responsibility for prompt movement of loaded and unloaded cars. But they must rely upon shippers to load cars to their maximum capacity and to load and unload cars promptly. They must also rely upon shippers and consumers to provide adequate storage facilities and have adequate side-tracks to accommodate the cars which the volume of their business demands.

Every ton which this effort succeeds in adding to the average load of freight cars is equivalent to producing the same amount of transportation as 80,000 additional cars would provide.

**5. That they will use every possible means to increase the average daily movement of freight cars up to thirty miles for the entire country.**

At first glance this may seem to be an inadequate performance. But it must be realized that the average movement per car per day is figured by taking the total mileage of moving cars for a day, and dividing it by the total number of cars which the railroads own. This, of course, means that for every car standing still—and every day there are more than 500,000 cars standing still in the hands of shippers alone, being loaded or unloaded—other cars must move at



least sixty miles a day. Likewise, for every car in a repair shop some other car must be doing at least twice the daily stint.

Every mile added to the average mileage per car per day produces additional transportation equivalent to what 100,000 additional cars would provide.

### Shippers' Cooperation Necessary

Secretary of Commerce Herbert Hoover, in a letter dated April 11, 1923, and sent to national and state trade associations, endorsed the railroads' program and urged shippers to cooperate. The letter in part follows:

"The railways have asked for this cooperation, and the trades can make a tremendous contribution to the orderly march of our prosperity if they will undertake it seriously and in an organized fashion.

"The principal directions in which such cooperation can be extended by the trades are:

"1. The advance storage of their winter coal during the light-consuming season—that is, from now until September 1, including the early movement of lake traffic.

"2. The loading of all cars to full capacity, their prompt loading and discharge.

"3. Reduction of reconsignment shipments and restriction of to-order bills of lading.

"4. Demands for no more cars from the railways than can be promptly used.

"If we could secure the maximum efficiency in these directions we will have added more effective commodity movement than would be brought about by the addition of approximately 300,000 cars and 3,000 locomotives, and the addition of at least 10% to our track mileage and terminal facilities.

### Cooperation to Shippers' Advantage

"The importance of this lies in more than simply the maintenance of continuity of production and full supply of consumption, because any strangulation in movement of commodities through car shortage affects the profits of every individual manufacturer by interruption in his production, and furthermore, such strangulation affects price levels in the most definite fashion.

**"The full and smooth movement of all of the productivity of the country would be the greatest contribution that could be made at the present time in checking inflation or increase in price levels.**

"Therefore, I earnestly hope that you will undertake to definitely organize your association, to bring about this cooperation through your district or trade, and to establish cooperative contact with the railroad executives concerned.

"If we could secure unity of action on these questions between the shippers and the railways we would have made a greater contribution to continued prosperity and full employment than any direction I know of."



# The Need for Constructive Regulation

IN the year 1910, by action of Congress, control over the interstate revenues of the railroads passed completely into the hands of the regulating authorities of the United States and the several States. At about the same time the various states assumed practically complete control over the balance of the rates which determine the income and earning power of the railroads.

Referring to this situation in the April, 1923, number of the Yale Review, Arthur T. Hadley, President Emeritus of Yale University, says:

"It was unfortunate both for the Interstate Commerce Commission and for the country that this legislation was followed by a period of rising prices. For if prices had remained stationary, it is not probable the Commission would have used its new powers to reduce railroad freight charges twenty-three per cent in five years.

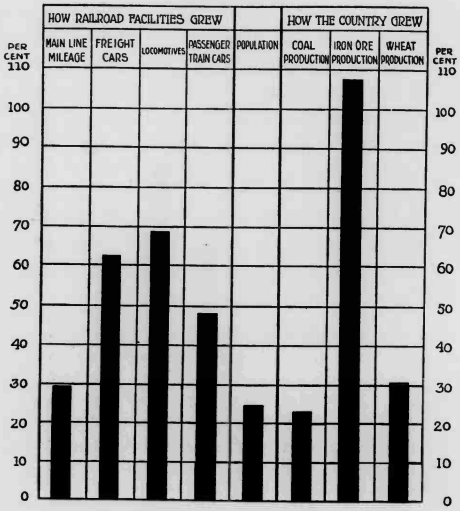
"The fact that the railroads were already paying out seventy per cent of their earnings in operating expenses and taxes would have shown the obvious perils to railroad efficiency and solvency which such a course brought with it. But the Commission did what amounted to the same thing when it reduced freight rates five per cent between 1911 and 1916, while general prices were rising twenty-four per cent.

"The only way in which the solvency of American railroad companies could be maintained in the face of such drastic action was by increasing train loads and keeping wages down."

## WHEN THE RAILROADS WERE ALLOWED TO KEEP AHEAD OF THE DEVELOPMENT OF THE UNITED STATES

**This chart shows the growth of railway facilities compared with that of population, and the production of certain basic commodities,**

**1900 to 1912**




Hon. Herbert Hoover, Secretary of Commerce, in an address at the annual meeting of the United States Chamber of Commerce, in New York, on May 8th, said:

"I need not point out to you that the periodic car shortage in its real meaning of insufficient tracks and terminals, as well as rolling stock, imposes intermittent stoppages of our industries and intermittent strictures in the law of supply and demand, influences price levels and creates local famines and gluts.

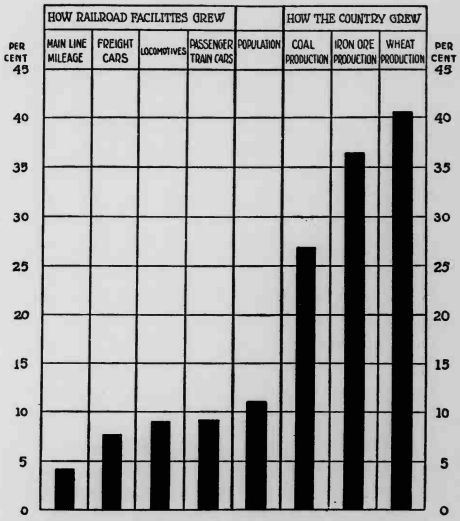
"It imposes burdens upon us which I believe every year create commercial losses equal to the entire capital cost of bringing the transportation system up to national need.



## WHEN THE RAILROADS WERE NOT ALLOWED TO KEEP AHEAD OF THE DEVELOPMENT OF THE UNITED STATES

**This chart shows the growth of railway facilities compared with that of population, and the production of certain basic commodities,**

**1912 to 1920**




"The causes of shortage are not far to seek. While the war contributed much delay and demoralization, the continued strangulation of railroad finances alone, before enactment of the present transportation law, could have brought us only one result.

"Nor is this a criticism of the railways, for they have grown in detailed working efficiency with the rest of the country. In a decade they have increased the movement of goods by 15 per cent, with an increase of 3 per cent in personnel. Moreover, the managers are showing great faith and courage in the undertaking of a large program of expansion."

# Failures of Government Ownership Wake Up Europe

*From a statement of* JULIUS H. BARNES, *as President of the United States Chamber of Commerce, who with a delegation of American business men has recently returned from an investigation of European conditions.*

"THE outstanding fact which impressed us in all these countries in Europe is the very clear conviction that State ownership and State operation of public facilities—I won't say public utilities, but public facilities—has distinctly written itself as a failure.

"Not only is this shown in Italy's effort to get all its public State-owned facilities in private hands, but it is shown in Austria, where there is a recasting of the Government railroad service and a discharge of 100,000 superfluous employees.

"It is shown in Great Britain, where the railroads under their return to private operation have greatly quickened the business and economic life of that island and greatly improved the service and at the same time reduced the rates.

"It shows there is a general appreciation throughout all of Europe that these facilities must not only be in private hands but they must be regulated so wisely that they will present a field of attraction for the superior grade of private ability to enlist themselves in their administration, and that it is true that where this has been tried, as in Great Britain, they are meeting with satisfactory results."



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